

PERAC AUDIT REPORT



Reading Contributory Retirement System

JAN. 1, 2005 - DEC. 31, 2006



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PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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January 4, 2008

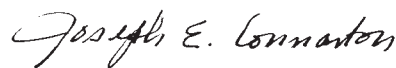
The Public Employee Retirement Administration Commission has completed an examination of the Reading Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2005 to December 31, 2006. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission, in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion the financial records are being maintained and the management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission.

We commend the Reading Retirement Board for the exemplary operation of the system.

In closing, I acknowledge the work of examiners James Sweeney and James Tivnan who conducted this examination, and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,



Joseph E. Connarton
Executive Director



STATEMENT OF LEDGER ASSETS AND LIABILITIES

			AS OF DECEMBER 31,	
			2006	2005
Net Assets Available For Benefits				
Cash			\$13,973	\$188,071
PRIT Cash Fund			875,377	1,075,247
PRIT Core Fund			91,195,065	79,252,665
Interest Due and Accrued			0	0
Accounts Receivable			65,276	1,681
Less: Accounts Payable			(167,580)	(131,491)
	Total		<u>\$91,982,111</u>	<u>\$80,386,173</u>
Fund Balances:				
Annuity Savings Fund			\$17,224,029	\$16,510,484
Annuity Reserve Fund			6,332,255	6,269,437
Pension Fund			0	0
Military Service Fund			19,822	19,704
Expense Fund			0	0
Pension Reserve Fund			68,406,005	57,586,547
	Total		<u>\$91,982,111</u>	<u>\$80,386,173</u>

STATEMENT OF CHANGES IN FUND BALANCES

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance (2005)	\$16,135,475	\$5,703,136	\$0	\$19,586	\$0	\$50,654,184	\$72,512,381
Receipts	1,793,988	183,506	3,963,725	118	462,520	8,257,267	14,661,124
Inter Fund Transfers	(1,134,757)	1,134,757	1,324,903	0	0	(1,324,903)	0
Disbursements	(284,222)	(751,962)	(5,288,628)	0	(462,520)	0	(6,787,332)
Ending Balance (2005)	16,510,484	6,269,437	0	19,704	(0)	57,586,547	80,386,173
Receipts	1,982,183	190,549	4,012,039	118	540,440	12,475,498	19,200,827
Inter Fund Transfers	(739,425)	747,681	1,647,784	0	0	(1,656,040)	0
Disbursements	(529,213)	(875,412)	(5,659,823)	0	(540,440)	0	(7,604,888)
Ending Balance (2006)	<u>\$17,224,029</u>	<u>\$6,332,255</u>	<u>(\$0)</u>	<u>\$19,822</u>	<u>(\$0)</u>	<u>\$68,406,006</u>	<u>\$91,982,111</u>

STATEMENT OF RECEIPTS

		FOR THE PERIOD ENDING DECEMBER 31,	
		2006	2005
Annuity Savings Fund:			
Members Deductions		\$1,604,338	\$1,507,814
Transfers from Other Systems		241,083	164,799
Member Make Up Payments and Re-deposits		40,950	20,613
Member Payments from Rollovers		0	10,116
Investment Income Credited to Member Accounts		<u>95,811</u>	<u>90,648</u>
Sub Total		<u>1,982,182</u>	<u>1,793,989</u>
Annuity Reserve Fund:			
Investment Income Credited to the Annuity Reserve Fund		<u>190,549</u>	<u>183,506</u>
Pension Fund:			
3 (8) (c) Reimbursements from Other Systems		67,124	64,900
Received from Commonwealth for COLA and Survivor Benefits		248,220	410,140
Pension Fund Appropriation		<u>3,696,695</u>	<u>3,488,685</u>
Sub Total		<u>4,012,039</u>	<u>3,963,725</u>
Military Service Fund:			
Contribution Received from Municipality on Account of Military Service		0	0
Investment Income Credited to the Military Service Fund		<u>118</u>	<u>118</u>
Sub Total		<u>118</u>	<u>118</u>
Expense Fund:			
Expense Fund Appropriation		0	0
Investment Income Credited to the Expense Fund		<u>540,440</u>	<u>462,520</u>
Sub Total		<u>540,440</u>	<u>462,520</u>
Pension Reserve Fund:			
Federal Grant Reimbursement		0	0
Pension Reserve Appropriation		0	0
Interest Not Refunded		6,791	1,688
Miscellaneous Income		0	0
Excess Investment Income		<u>12,468,708</u>	<u>8,255,577</u>
Sub Total		<u>12,475,499</u>	<u>8,257,265</u>
Total Receipts		<u>\$19,200,827</u>	<u>\$14,661,123</u>

STATEMENT OF DISBURSEMENTS

FOR THE PERIOD ENDING DECEMBER 31,		
	2006	2005
Annuity Savings Fund:		
Refunds to Members	\$258,054	\$117,580
Transfers to Other Systems	<u>271,159</u>	<u>166,642</u>
Sub Total	<u>529,213</u>	<u>284,222</u>
Annuity Reserve Fund:		
Annuities Paid	801,068	742,580
Option B Refunds	<u>74,344</u>	<u>9,382</u>
Sub Total	<u>875,412</u>	<u>751,962</u>
Pension Fund:		
Pensions Paid:		
Regular Pension Payments	3,578,815	3,373,556
Survivorship Payments	37,485	67,397
Ordinary Disability Payments	55,460	55,460
Accidental Disability Payments	847,665	789,691
Accidental Death Payments	100,078	37,933
Section 101 Benefits	69,931	69,931
3 (8) (c) Reimbursements to Other Systems	188,418	148,520
State Reimbursable COLA's Paid	776,114	740,281
Chapter 389 Beneficiary Increase Paid	<u>5,857</u>	<u>5,857</u>
Sub Total	<u>5,659,823</u>	<u>5,288,627</u>
Military Service Fund:		
Return to Municipality for Members Who Withdrew Their Funds	<u>0</u>	<u>0</u>
Expense Fund:		
Board Member Stipend	0	0
Salaries	39,045	34,631
Legal Expenses	2,924	1,831
Medical Expenses	0	0
Travel Expenses	0	0
Administrative Expenses	5,579	18,463
Management Fees	492,181	407,595
Service Contracts	0	0
Fiduciary Insurance	<u>711</u>	<u>0</u>
Sub Total	<u>540,440</u>	<u>462,520</u>
Total Disbursements	<u>\$7,604,888</u>	<u>\$6,787,331</u>

INVESTMENT INCOME

FOR THE PERIOD ENDING DECEMBER 31,		
	2006	2005
Investment Income Received From:		
Cash	\$914	\$1,094
Pooled or Mutual Funds	<u>2,844,761</u>	<u>2,427,635</u>
Total Investment Income	<u>2,845,676</u>	<u>2,428,728</u>
Plus:		
Realized Gains	5,780,097	4,549,830
Unrealized Gains	7,850,045	7,614,609
Interest Due and Accrued - Current Year	0	0
Sub Total	<u>13,630,142</u>	<u>12,164,439</u>
Less:		
Realized Loss	0	0
Unrealized Loss	(3,180,192)	(5,600,798)
Interest Due and Accrued - Prior Year	0	0
Sub Total	<u>(3,180,192)</u>	<u>(5,600,798)</u>
Net Investment Income	<u>13,295,626</u>	<u>8,992,369</u>
Income Required:		
Annuity Savings Fund	95,811	90,648
Annuity Reserve Fund	190,549	183,506
Military Service Fund	118	118
Expense Fund	<u>540,440</u>	<u>462,520</u>
Total Income Required	<u>826,918</u>	<u>736,792</u>
Net Investment Income	<u>13,295,626</u>	<u>8,992,369</u>
Less: Total Income Required	<u>826,918</u>	<u>736,792</u>
Excess Income To The Pension Reserve Fund	<u>\$12,468,708</u>	<u>\$8,255,577</u>

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

AS OF DECEMBER 31, 2006			
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS	PERCENTAGE ALLOWED
Cash	\$13,973	0.0%	100%
PRIT Cash Fund	875,377	1.0%	100%
PRIT Core Fund	<u>91,195,065</u>	<u>99.0%</u>	100%
Grand Total	<u>\$92,084,416</u>	<u>100.0%</u>	

For the year ending December 31, 2006, the rate of return for the investments of the Reading Retirement System was 16.84%. For the five-year period ending December 31, 2006, the rate of return for the investments of the Reading Retirement System averaged 11.63%. For the twenty-two year period ending December 31, 2006, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Reading Retirement System was 11.06%.

SUPPLEMENTARY INVESTMENT REGULATIONS

The Reading Retirement System is invested 100% in PRIT and therefore, has no supplementary investment regulations.

NOTES TO FINANCIAL STATEMENTS

NOTE I – SUMMARY OF PLAN PROVISIONS

The plan is a contributory defined benefit plan covering all Reading Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

ADMINISTRATION

There are 106 contributory Retirement Systems for public employees in Massachusetts. Each system is governed by a retirement board, and all boards, although operating independently, are governed by Chapter 32 of the Massachusetts General Laws. This law in general provides uniform benefits, uniform contribution requirements, and a uniform accounting and funds structure for all systems.

PARTICIPATION

Participation is mandatory for all full-time employees. Eligibility with respect to part-time, provisional, temporary, seasonal, or intermittent employment is governed by regulations promulgated by the retirement board, and approved by PERAC. Membership is optional for certain elected officials.

There are 3 classes of membership in the Retirement System:

Group 1:

General employees, including clerical, administrative, technical, and all other employees not otherwise classified.

Group 2:

Certain specified hazardous duty positions.

Group 4:

Police officers, firefighters, and other specified hazardous positions.

NOTES TO FINANCIAL STATEMENTS (Continued)

MEMBER CONTRIBUTIONS

Member contributions vary depending on the most recent date of membership:

Prior to 1975:	5% of regular compensation
1975 - 1983:	7% of regular compensation
1984 to 6/30/96:	8% of regular compensation
7/1/96 to present:	9% of regular compensation
1979 to present:	an additional 2% of regular compensation in excess of \$30,000.

RATE OF INTEREST

Interest on regular deductions made after January 1, 1984 is a rate established by PERAC in consultation with the Commissioner of Banks. The rate is obtained from the average rates paid on individual savings accounts by a representative sample of at least 10 financial institutions.

RETIREMENT AGE

The mandatory retirement age for some Group 2 and Group 4 employees is age 65. Most Group 2 and Group 4 members may remain in service after reaching age 65. Group 4 members who are employed in certain public safety positions are required to retire at age 65. There is no mandatory retirement age for employees in Group 1.

SUPERANNUATION RETIREMENT

A member is eligible for a superannuation retirement allowance (service retirement) upon meeting the following conditions:

- completion of 20 years of service, or
- attainment of age 55 if hired prior to 1978, or if classified in Group 4, or
- attainment of age 55 with 10 years of service, if hired after 1978, and if classified in Group 1 or 2

NOTES TO FINANCIAL STATEMENTS (Continued)

AMOUNT OF BENEFIT

A member's annual allowance is determined by multiplying average salary by a benefit rate related to the member's age and job classification at retirement, and the resulting product by his creditable service. The amount determined by the benefit formula cannot exceed 80% of the member's highest three year average salary. For veterans as defined in G.L. c. 32, § 1, there is an additional benefit of \$15 per year for each year of creditable service, up to a maximum of \$300.

- Salary is defined as gross regular compensation.
- Average Salary is the average annual rate of regular compensation received during the 3 consecutive years that produce the highest average, or, if greater, during the last three years (whether or not consecutive) preceding retirement.
- The Benefit Rate varies with the member's retirement age, but the highest rate of 2.5% applies to Group 1 employees who retire at or after age 65, Group 2 employees who retire at or after age 60, and to Group 4 employees who retire at or after age 55. A .1% reduction is applied for each year of age under the maximum age for the member's group. For Group 2 employees who terminate from service under age 55, the benefit rate for a Group 1 employee shall be used.

DEFERRED VESTED BENEFIT

A participant who has completed 10 or more years of creditable service is eligible for a deferred vested retirement benefit. Elected officials and others who were hired prior to 1978 may be vested after 6 years in accordance with G.L. c. 32, § 10.

The participant's accrued benefit is payable commencing at age 55, or the completion of 20 years, or may be deferred until later at the participant's option.

WITHDRAWAL OF CONTRIBUTIONS

Member contributions may be withdrawn upon termination of employment. Employees who first become members on or after January 1, 1984, may receive only limited interest on their contributions if they voluntarily terminate their service. Those who leave service with less than 5 years receive no interest; those who leave service with greater than 5 but less than 10 years receive 50% of the interest credited.

NOTES TO FINANCIAL STATEMENTS (Continued)

DISABILITY RETIREMENT

The Massachusetts Retirement Plan provides 2 types of disability retirement benefits:

ORDINARY DISABILITY

Eligibility: Non-veterans who become totally and permanently disabled by reason of a non-job related condition with at least 10 years of creditable service (or 15 years creditable service in systems in which the local option contained in G.L. c. 32, § 6(1) has not been adopted).

Veterans with ten years of creditable service who become totally and permanently disabled by reason of a non-job related condition prior to reaching “maximum age”.

Retirement Allowance: Equal to the accrued superannuation retirement benefit as if the member was age 55. If the member is a veteran, the benefit is 50% of the member’s final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 55, he or she will receive not less than the superannuation allowance to which he or she is entitled.

ACCIDENTAL DISABILITY

Eligibility: Applies to members who become permanently and totally unable to perform the essential duties of the position as a result of a personal injury sustained or hazard undergone while in the performance of duties. There are no minimum age or service requirements.

Retirement Allowance: 72% of salary plus an annuity based on accumulated member contributions, with interest. This amount is not to exceed 100% of pay. For those who became members in service after January 1, 1988 or who have not been members in service continually since that date, the amount is limited to 75% of pay. There is an additional pension benefit, per child who is under 18 at the time of the member’s retirement, with no age limitation if the child is mentally or physically incapacitated from earning. The additional pension may continue up to age 22 for any child who is a full time student at an accredited educational institution.

NOTES TO FINANCIAL STATEMENTS (Continued)

ACCIDENTAL DEATH

Eligibility: Applies to members who die as a result of a work-related injury or if the member was retired for accidental disability and the death was the natural and proximate result of the injury or hazard undergone on account of which such member was retired.

Allowance: An immediate payment to a named beneficiary equal to the accumulated deductions at the time of death, plus a pension equal to 72% of current salary and payable to the surviving spouse, dependent children or the dependent parent, plus a supplement of \$312 per year, per child, payable to the spouse or legal guardian until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

The surviving spouse of a member of a police or fire department or any corrections officer who, under specific and limited circumstances detailed in the statute, suffers an accident and is killed or sustains injuries resulting in his death, may receive a pension equal to the maximum salary for the position held by the member upon his death.

In addition, an eligible family member may receive a one time payment of \$100,000 from the State Retirement Board.

DEATH AFTER ACCIDENTAL DISABILITY RETIREMENT

Effective November 7, 1996, Accidental Disability retirees were allowed to select Option C at retirement and provide a benefit for an eligible survivor. For Accidental Disability retirees prior to November 7, 1996, who could not select Option C, if the member's death is from a cause unrelated to the condition for which the member received accidental disability benefits, a surviving spouse will receive an annual allowance of \$6,000.

DEATH IN ACTIVE SERVICE

Allowance: An immediate allowance equal to that which would have been payable had the member retired and elected Option C on the day before his or her death. For death occurring prior to the member's superannuation retirement age, the age 55 benefit rate is used. The minimum annual allowance payable to the surviving spouse of a member in service who dies with at least two years of creditable service is \$3,000, provided that the member and the spouse were married for at least one year and living together on the member's date of death.

The surviving spouse of such a member in service receives an additional allowance equal to the sum of \$1,440 per year for the first child, and \$1,080 per year for each additional child until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

NOTES TO FINANCIAL STATEMENTS (Continued)

COST OF LIVING

If a system has accepted Chapter 17 of the Acts of 1997, and the Retirement Board votes to pay a cost of living increase for that year, the percentage is determined based on the increase in the Consumer Price Index used for indexing Social Security benefits, but cannot exceed 3.0%. Section 51 of Chapter 127 of the Acts of 1999, if accepted, allows boards to grant COLA increases greater than that determined by CPI but not to exceed 3.0%. The first \$12,000 of a retiree's total allowance is subject to a cost-of-living adjustment. The total Cost-of-Living adjustment for periods from 1981 through 1996 is paid for by the Commonwealth of Massachusetts.

METHODS OF PAYMENT

A member may elect to receive his or her retirement allowance in one of 3 forms of payment.

Option A: Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.

Option B: A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided, however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.

Option C: A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who remains unmarried for a member whose retirement becomes effective on or after February 2, 1992, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or "pops up") based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable "pops up" in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

NOTES TO FINANCIAL STATEMENTS (Continued)

ALLOCATION OF PENSION COSTS

If a member's total creditable service was partly earned by employment in more than one retirement system, the cost of the "pension portion" is allocated between the different systems pro rata based on the member's service within each retirement system.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Public Employee Retirement Administration Commission.

The Annuity Savings Fund is the fund in which members' contributions are deposited. Voluntary contributions, re-deposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

The Reading Retirement System submitted the following supplementary membership regulations, which were approved by PERAC on:

August 17, 2004

As of August 17, 2004, anyone employed by the Town of Reading or the Reading Housing Authority, whose combined total service equals or exceeds 1,690 hours per year shall be enrolled in the Reading Retirement System.

June 19, 2003

Military Service Buyback - All eligible members must determine within 180 days of notification by the Reading Retirement Board whether or not to purchase their military service as creditable service. If choosing to purchase this military service, the member has the option of paying for this purchase at any time from the completion of his/her first year of membership until reaching his/her 10th year of membership. If the member has not begun the payback by his/her 10th year as a member, then he/she must begin payroll deductions, make a lump sum payment, or notify the Reading Retirement Board, in writing, of his/her decision to opt out of the program.

April 19, 2000

Buyback - The Retirement Board will not allow members to buy back previous employment with the Town of Reading on or after July 1, 1991, when the Town was required to withhold and match Social Security deductions. By allowing buybacks the Board would be requiring the Town to fund two retirements for the same period of employment. If, however, the employee had not contributed to Social Security, but opted for the ICMA deferral instead, the employee will be allowed to buy back time, as the Town does not match those deductions. (Regulation approved April 19, 2000 and previously approved by the Commission's predecessor agency on March 7, 1996.)

March 24, 2000

Membership - Anyone employed by the Town of Reading or the Reading Housing Authority on or after July 1, 1991, as a part time, provisional, part-time temporary, temporary provisional, seasonal, intermittent employee or who works less than 52 weeks a year shall not be eligible to join the Reading Retirement System. However, an employee whose combined total service equals or exceeds 35 hours per week shall be eligible for membership.

Creditable Service - Members who work less than 20 hours per week shall receive creditable service pro-rated based upon the hours of the full time position and the actual service rendered. Members working 20 or more hours per week will receive 1 full year of creditable service for each year employed. A part-time employee who later takes a full time position shall have the part-time service prorated according to the following schedule:

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

Hours per week:	Creditable Service:
20-22	7 months
23-25	8 months
26-28	9 months
29-31	10 months
32-34	11 months
35+	12 months

Buy Back - A buy back of prior non-membership service of less than six consecutive months which was part time, provisional, temporary, temporary provisional, seasonal or intermittent and was not immediately followed by membership service, will not be allowed. The terms of the purchase or buy back of prior service or military service shall be in a lump sum payment at the time of application or installment payments over a period of years, not to exceed five years. In the instance where a person takes a refund and is then re-employed by the Town within one year and wishes to buyback prior service, the installment payment period shall not exceed one year. The Retirement Board shall determine the minimum installment payment amount allowed.

March 22, 1997

Election Rules - A 45-day election schedule for upcoming Reading Retirement Board election. The retirement board must provide members with “reasonable notice of the election not less than ninety (90) days prior to the date of the election”.

July 25, 1994

Personnel Policy - Adopt personnel policies for their staff members that are equal to the benefits of the Town of Reading employees.

March 4, 1991

Membership - Anyone employed by the Town of Reading or the Reading Housing Authority on or after July 1, 1991, as a part-time, provisional, part-time temporary, temporary provisional, seasonal or intermittent employee, shall not be eligible to join the Reading Retirement System.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five person Board of Retirement consisting of the Town Accountant who shall be a member ex-officio, a second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four board members.

Ex-officio Member: Gail LaPointe

Appointed Member: Richard P. Foley Term Expires: 12/31/08

Elected Member: Joseph R. Veno Term Expires: 03/31/10

Elected Member: Francis P. Driscoll Term Expires: 03/31/08

Appointed Member: Daniel B. Seferian Term Expires: 03/31/09

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board and are then submitted to the PERAC Actuary for verification prior to payment. All expenses incurred by the System must be approved by at least two members of the Board.

The following retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer - Custodian:)	
Ex-officio Member:)	\$3,000,000 Fiduciary and Crime Bond
Elected Member:)	National Grange Mutual Insurance Company
Appointed Member:)	\$500,000 limit per board member
Staff Employee:)	and staff employee

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by The Segal Company as of July 1, 2005.

The actuarial liability for active members was	\$47,750,173
The actuarial liability for vested terminated members was	627,788
The actuarial liability for retired members was	<u>53,774,906</u>
The total actuarial liability was	102,152,867
System assets as of that date were	<u>71,468,124</u>
The unfunded actuarial liability was	<u>\$30,684,743</u>
 The ratio of system's assets to total actuarial liability was	 70.0%
As of that date the total covered employee payroll was	\$18,047,705

The normal cost for employees on that date was 8.47% of payroll

The normal cost for the employer (including administrative expenses) was 5.78% of payroll

The principal actuarial assumptions used in the valuation are as follows:

Investment Return: 7.75% per annum
Rate of Salary Increase: 5.00% per annum

GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JULY 1, 2005

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Cov. Payroll ((b-a)/c)
7/1/2005	\$71,468,124	\$102,152,867	\$30,684,743	70.0%	\$18,047,705	170.0%
7/1/2003	\$62,896,650	\$91,301,520	\$28,404,870	68.9%	\$16,734,364	169.7%
7/1/2001	\$58,286,200	\$82,550,300	\$24,264,100	70.6%	\$16,129,200	150.4%

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - MEMBERSHIP EXHIBIT

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Retirement in Past Years										
Superannuation	18	14	18	15	7	12	14	9	13	10
Ordinary Disability	0	0	0	0	0	0	0	0	0	0
Accidental Disability	0	1	0	0	0	0	3	1	0	2
Total Retirements	18	15	18	15	7	12	17	10	13	12
Total Retirees, Beneficiaries and Survivors	305	313	319	324	319	323	326	326	328	324
Total Active Members	378	378	374	369	379	363	360	351	355	364
Pension Payments										
Superannuation	\$1,758,723	\$1,983,923	\$2,199,734	\$2,337,652	\$2,448,977	\$2,847,111	\$2,972,840	\$3,171,158	\$3,373,556	\$3,578,815
Survivor/Beneficiary Payments	42,304	41,507	36,996	33,763	108,547	33,763	33,763	36,815	67,397	37,485
Ordinary Disability	84,677	84,668	70,133	61,273	35,081	55,460	55,460	55,460	55,460	55,460
Accidental Disability	760,185	767,492	780,573	793,807	768,870	728,389	731,798	773,620	789,691	847,665
Other	492,143	—	—	—	—	753,193	—	—	—	—
Total Payments for Year	<u>\$3,138,032</u>	<u>\$3,389,617</u>	<u>\$3,628,499</u>	<u>\$3,870,415</u>	<u>\$4,080,736</u>	<u>\$4,417,916</u>	<u>\$4,633,755</u>	<u>\$4,951,467</u>	<u>\$5,288,624</u>	<u>\$5,659,823</u>
	512,027	541,063	643,920	719,261	839,894	914,414	1,002,922	1,140,990		

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